



**Director of
Central
Intelligence**

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OCPAS/CIG

CY# 285

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National Intelligence Daily

*Saturday
17 September 1983*

~~Top Secret~~

CPAS NID 83-219JX

17 September 1983

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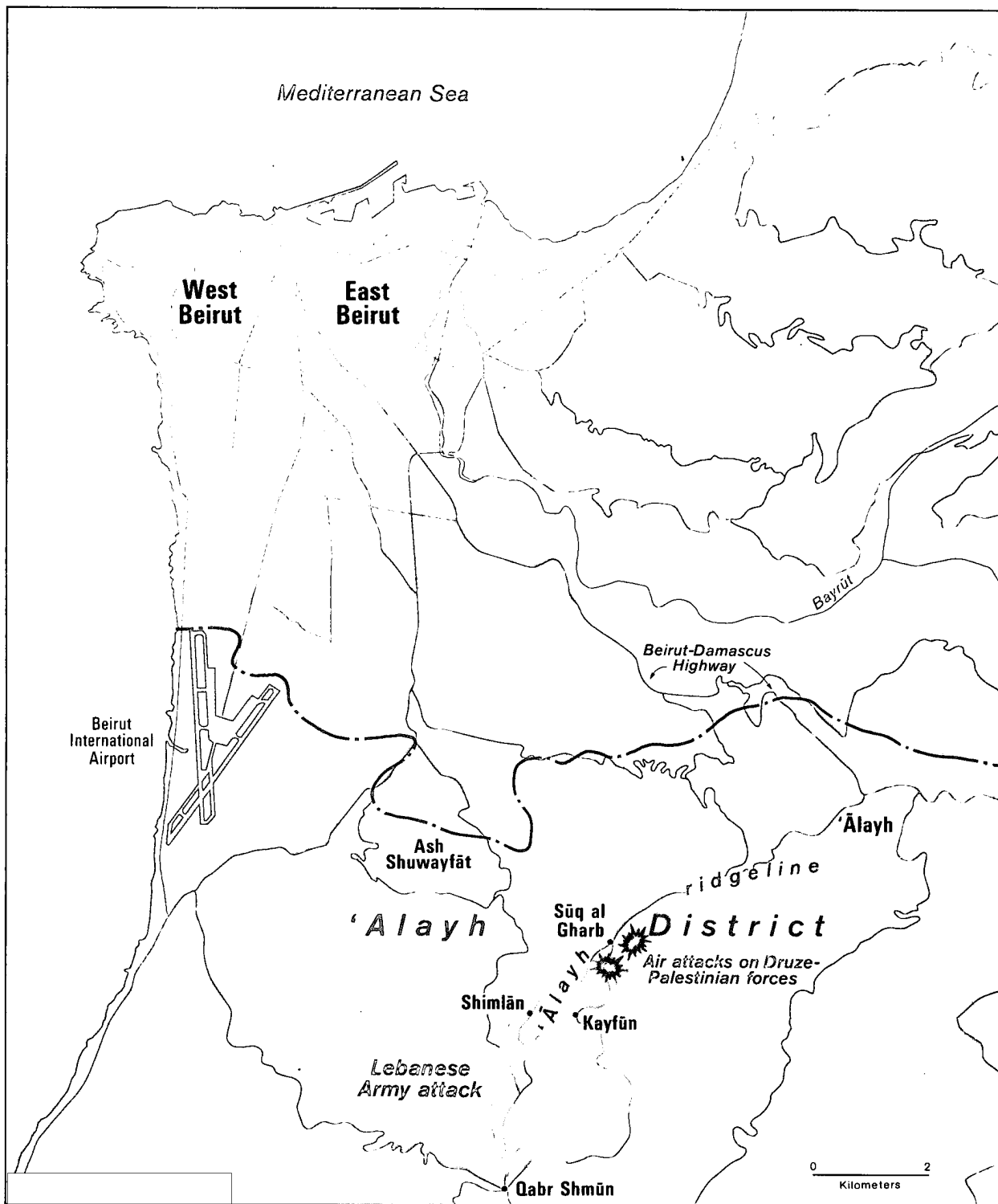


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LEBANON: Army Seizes Initiative

Lebanese ground and air attacks yesterday drove Druze and Palestinian forces farther away from the high ground around Suq al Gharb. []

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Army battalions launched a two-pronged attack from Suq al Gharb to seize the important road junction at Qabr Shmun. Within four hours, they took the towns of Kayfun and Shimlan. []

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Air Force jets attacked Druze artillery positions throughout the day. Ground fire and fragments from their own rockets put three of the jets out of commission. []

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Comment: If the Army established its forward lines between Suq al Gharb and Qabr Shmun, it might strengthen its control over the northwestern corner of Alayh District. Supply lines for Druze militia in the Ash Shuwayfat area would be cut, and Palestinian fighters would find it more difficult to enter Beirut. []

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Syria probably wants to avoid provoking the US to increase its military support for President Gemayel and overextending the Druze by encouraging further attacks beyond the ridgeline at Suq al Gharb. If the political talks remain stalled, however, the Syrians are likely to foment new clashes in Beirut and in Christian areas to the north. []

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PHILIPPINES: More Protests Ahead

The government is preparing for more demonstrations next week as the 11th anniversary of martial law approaches on Wednesday. []

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Some 5,000 to 6,000 students took part in an antigovernment demonstration on Thursday to begin a civil disobedience campaign that opposition groups hope will continue for several months. Yesterday massive numbers of office workers walked off their jobs in Manila's financial district to protest Benigno Aquino's assassination.

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Government security forces expect the campaign to intensify tomorrow. Constabulary chief Ramos earlier this week said he believes the Communist New People's Army will begin disturbances this weekend, possibly in Manila.

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Comment: The civil disobedience campaign appears to be gathering momentum after a slow start. A pastoral letter issued earlier this week by Cardinal Sin seems certain to keep public attention focused on the assassination and the anniversary of martial law.

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Continued squabbling among opposition groups, however, will slow development of an effective civil disobedience campaign. The government, moreover, almost certainly will continue to show restraint in dealing with the demonstrators. This strategy so far has kept demonstrations from getting out of hand.

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USSR-CHINA: Agreement on Consultations

Moscow and Beijing have agreed to open a new channel for regular consultations on international issues, a move allowing both sides to demonstrate some improvement in their relationship on the eve of Secretary of Defense Weinberger's visit to China.

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Soviet Deputy Foreign Minister Kapitsa made the agreement public while talking to reporters in Beijing yesterday, before he returned home from his eight-day visit. He expressed satisfaction with the talks and said he invited his counterpart, Qian Qichen, to Moscow for further consultations on international and bilateral issues.

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A middle-level official in the Soviet Foreign Ministry earlier had made it clear that discussions in the new channel will be distinct from, and parallel to, the discussions of bilateral issues that will resume in Beijing next month. He expected that Afghanistan, Kampuchea, and forces along the border and in Mongolia would continue to be discussed in the bilateral forum but admitted that the Chinese also could raise them at the talks on international issues.

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The Chinese, in reporting Kapitsa's departure, noted that Qian said the two sides have to remember there are still obstacles to improved relations that "cannot be evaded." Qian reportedly told a US visitor on the eve of Kapitsa's visit that China would ask whether the Soviets had any suggestions on how negotiations for reductions of SS-20s in Asia could be organized. Qian also said he would express Beijing's shock over Soviet action in the airliner incident.

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Comment: The agreement to establish an additional forum for consultations underscores the interest each side has in expanding the dialogue, if only to gain added leverage with the US. In time, it also may help the USSR and China in dealing with the key issues that—in Beijing's view—obstruct an improvement in relations.

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UK: Liberal Party Conference

British Liberal Party leader Steel will face grass-roots opposition at the party conference next week, but he probably will have little problem maintaining his preeminent position. []

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A Gallup poll published last month shows Steel is still the most popular politician in the UK—20 points ahead of Prime Minister Thatcher. At the same time, however, press reports indicate rank-and-file dissatisfaction with his undemocratic management style.

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Dissidents reportedly plan to introduce resolutions to create the position of deputy leader, to return the party to its antinuclear stance, and to curtail Steel's right to veto the party manifesto. Steel has muted his replies to the attacks on all but his veto prerogative. He threatens to resign if this right is withdrawn. []

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Comment: Steel ran the party as he wished in the preelection period, citing optimistic polls and drawing on his own popularity. For example, he ignored antinuclear resolutions from the party conference in negotiating an election platform for the Social Democratic-Liberal Alliance. The outbreak of dissent probably was inevitable in a party that has prided itself on sticking to its positions regardless of their appeal to the voters. []

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Without Steel, the party would plummet in the polls. By threatening to resign, he probably has averted any major threat to his control over the party manifesto. He is likely, however, to agree to the naming of a deputy leader. []

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Steel will find it more difficult to deal with antinuclear sentiment. The conference may again vote to support unilateral disarmament and to reject INF basing in the UK. These actions will have no immediate practical effect, however, because Steel continues to reject them. []

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Over the longer term, the presence of a strong leftist tendency in the party could provoke strains within both it and the Alliance. This would seriously impair the Alliance's chances to surpass Labor as the alternative to the Conservative Party. []

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PANAMA: Political Turmoil

A growing public rift between retired National Guard chief Paredes and his successor, General Noriega, is likely to accelerate the removal of remaining supporters of Paredes from the government and probably from some Guard positions. [REDACTED]

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Local press reports state that a plot to remove Noriega and President de la Espriella was thwarted by the Guard late last week. The coup attempt purportedly was designed to install a provisional government and block elections scheduled for next May. Personnel involved in the plot were not identified. [REDACTED]

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Paredes openly charged Noriega earlier this week with treason for reneging on his promise to support Paredes's presidential candidacy, thus forcing him to withdraw. Paredes denies that any "incidents" have occurred, but he does claim that he is being denied access to the press—except for one opposition newspaper—and that his phones are tapped. [REDACTED]

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The US Embassy reports that de la Espriella, with Noriega's apparent approval, has begun a purge of Paredes's backers from the ruling Revolutionary Democratic Party. [REDACTED]

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Comment: Paredes may hope that the public attacks on his successor and other government leaders will create opposition to the government and help him regain political support for his presidential candidacy. His outbursts are producing little sympathy for his position, however, and they may work toward his increasing political isolation. [REDACTED]

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The coup rumors, which appear to implicate Paredes, may have been initiated by Guard leaders. The heightened political tension will allow Noriega to justify the removal of Paredes's remaining backers from key positions in the Guard. [REDACTED]

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PAKISTAN: Aid to Opposition

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Pakistani officials blame the Al-Zulfikar terrorist group for two recent bombings in Lahore and for the killing of two soldiers there on Tuesday. Islamabad repeatedly has charged that India and the USSR finance and train this group.

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Moderate opposition leaders have told US diplomats in the past that they believe leftists have received substantial Soviet funds.

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Comments: The two killings are the first deaths reported outside Sind Province since domestic discontent prompted the protest campaign in mid-August.

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USSR-US-WESTERN EUROPE: Reaction to Airline Boycott

The Soviet press has begun to accuse the US of using the Korean airliner incident as a pretext for undermining West European economies as well as for diverting opposition to impending INF deployments. *Pravda* on Thursday drew a parallel between the air boycott and the US embargo last year on equipment for the Siberian pipeline, claiming that Washington again is trying to disrupt trade between Western Europe and the USSR. The article also applauded the refusal of the French and Greek Governments to join the air boycott. [REDACTED]

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Comment: Moscow is casting about for any means to deflect attention from the tragedy and put the US on the defensive. The Soviets are taking careful note of West European reactions, and—with the exception of West Germany—they have generally refrained from criticizing those who have imposed sanctions. Earlier this week a Moscow radiobroadcast accused West Germany of submitting to US pressure for “discriminatory measures” against the USSR. This criticism in part reflects the Soviets’ unhappiness with Bonn’s stand on INF. [REDACTED]

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HONDURAS: Increasing Terrorism

Honduran press reports say that local leftist terrorists have claimed responsibility for the recent dynamiting of the Costa Rican airline office in San Pedro Sula. The attack was in retaliation for the bombing of Nicaragua's Sandino Airport by anti-Sandinista forces, which, according to a terrorist spokesman, was planned in Costa Rica. Seven other terrorist incidents have taken place in Honduras since late last month, including an attack against a security forces station in San Pedro Sula and the attempted destruction of a key bridge linking the city and the international airport. [REDACTED]

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Comment: Operations by the Honduran security forces against the country's small terrorist organizations have impeded their activities since late last year. The recent incidents suggest that the terrorists are eager to reestablish their credibility and that they will continue to act as surrogates for Managua, Havana, and the Salvadoran guerrillas. The reprisal against Costa Rica will heighten fears in San Jose that future anti-Sandinista activity will bring additional repercussions. [REDACTED]

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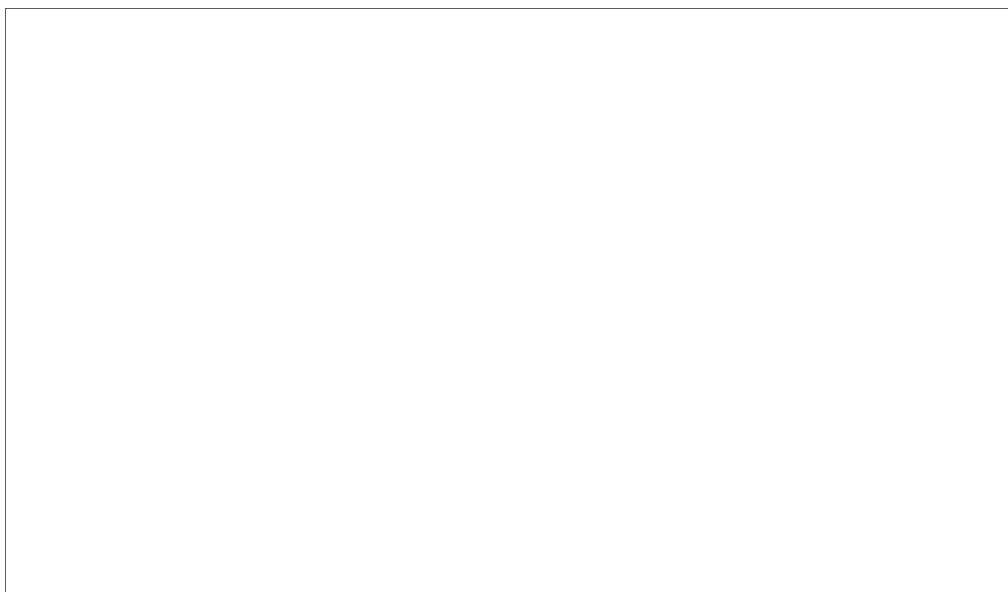
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EC: Disagreement Over Export Credits

The EC is still unable to take a unified approach to the negotiations next month to establish a new consensus on OECD export credits because of the hard line taken by the French. [redacted]

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[redacted] a French EC representative has claimed to US officials that, unless Finance Minister Delors is offered at least face-saving concessions, he cannot back away from the French position calling for reductions of 1.5 percentage points in the interest rates charged for government-backed export credits. [redacted]

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Comment: The gap between the French position and that of other EC members continues to widen. Although export subsidies are a strain on the French budget, Paris is unwilling to forgo them because it believes them necessary to keep French exports competitive. Without a unified EC position, the OECD negotiations could be postponed, resulting in still another extension of the current arrangement. [redacted]

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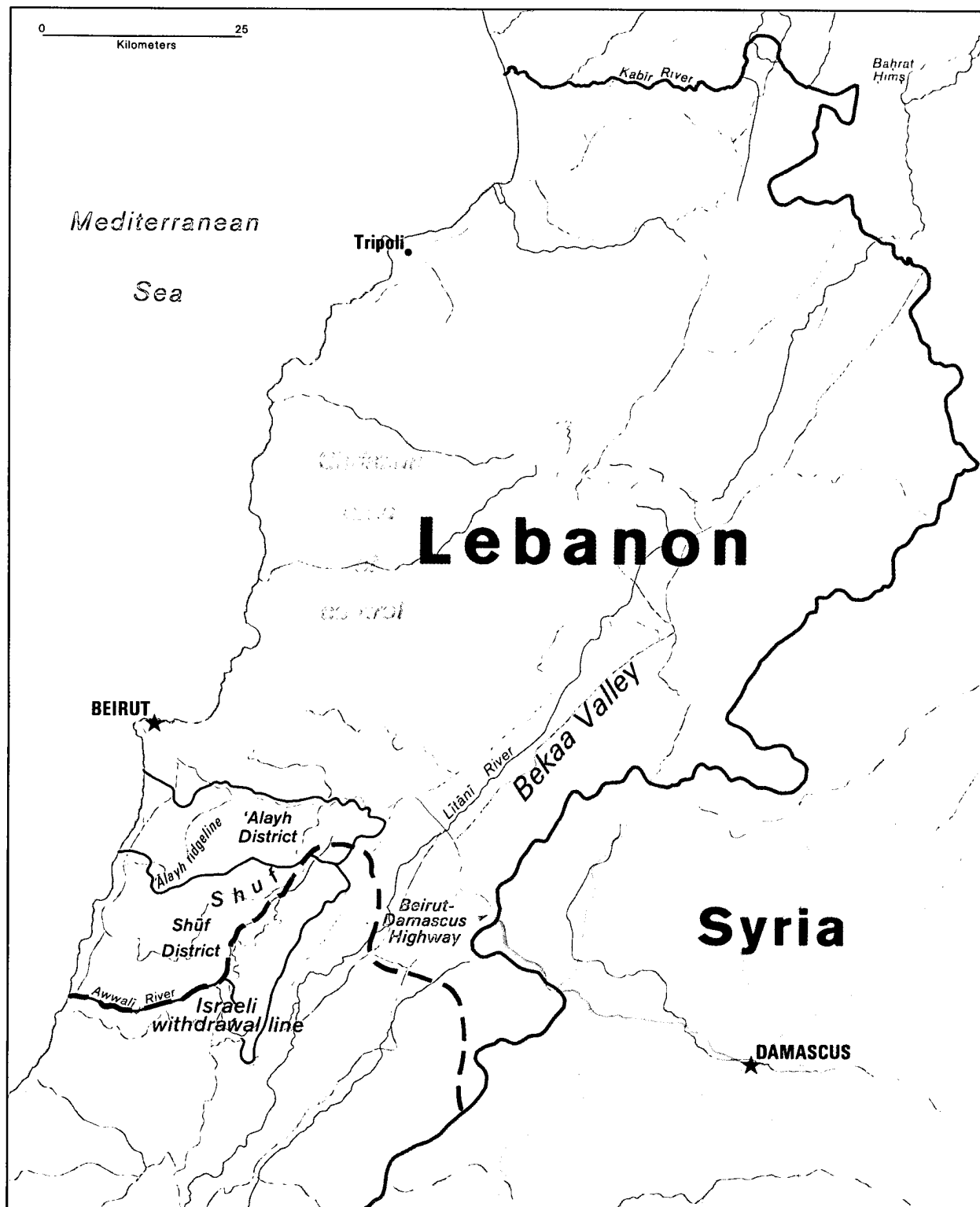
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Special Analysis

LEBANON: Precarious Stalemate

The Lebanese Army's ability to hold the Alayh ridgeline and the reaffirmation of the US commitment to preserve the central government's authority has stiffened President Gemayel's resolve and, for the short term, muted Christian criticism of him. Gemayel, however, may now be even less inclined to negotiate seriously on fundamental political reforms. Christian commanders of the Lebanese Forces and the Phalange Party still have a veto over Gemayel's policies. Unless Gemayel can somehow persuade the Christians to concede some political power to the Muslims and Druze, Lebanon will at best remain indefinitely split into feuding ministates.

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The Army still retains the capability to hold the Alayh ridgeline overlooking the greater Beirut area, despite a recent increase in the number of Muslim defections. Its current offensive in the Alayh District is intended to improve its defensive posture around Beirut. Gemayel also probably has ordered the Army to move forward to test US willingness to come to his government's defense.

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The government does not have enough troops or firepower to gain control of the Shuf region. Syria would try to prevent significant Army advances by increasing its support to the Druze and Palestinians.

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Diplomatic Maneuvering

The cease-fire negotiations remain deadlocked over the demand by the Druze and the Syrians that the Army's deployment to Shuf and Alayh Districts be one of the issues discussed at a national reconciliation conference. Gemayel refuses to allow Damascus and Druze leader Walid Junblatt to have a veto over his use of the Army.

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If a cease-fire is arranged, it is likely to be only temporary. Political negotiations almost certainly will stall. The Phalange Party and extremists in the Lebanese Forces—as they did before the Israelis withdrew to the Awwali River—will continue to resist compromises that reduce Christian political power.

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As a result of the setbacks suffered by the Lebanese Forces, Christian hardliners are even more insistent that Gemayel hold the line politically against Muslim and Druze demands. Christian

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extremists also remain suspicious of US resolve to defend the government and are still trying to enlist Israel's support. []

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In addition, Gemayel's penchant for dealing with old-line political leaders, instead of with Junblatt or Shia leader Nabih Barri, reduces the chances for a lasting political settlement. []

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What Could Change

Barri's refusal so far to commit his Shia Amal militia to fight Army units remaining in West Beirut may indicate he is willing to reach an accommodation with the government. If Gemayel could substantially increase Shia political participation, and if he proposed economic reforms aimed at improving the plight of the Shia population, he could drive a wedge between the Shias and the Druze. []

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Such a move would paint Junblatt into a corner and might force him to reassess his dependence on Syrian and Palestinian support. Gemayel cannot take such a step, however, until the Phalange stranglehold on his policies is neutralized. []

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Even if Gemayel takes some dramatic initiative, the Syrians and their allies will retain the option of increasing pressure on the government. If Lebanon appears headed for a prolonged partition, the Druze and Muslims probably will try at some point to deny the government control over West Beirut. This would leave Gemayel controlling only East Beirut and the Christian heartland. []

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Some Palestinian units are trying to return to Beirut, and they could promote Muslim uprisings there even without Barri's approval. The Syrians also could attempt to put military pressure on the Christian heartland, and thus draw Army and Lebanese Forces units away from Beirut. Such moves would put the Army in the position of defending solely Christian interests, leading to more defections by Muslims. []

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The overall result would be a Christian Army defending the government of a Christian heartland and a semi-independent Druze state in the Shuf region. Syria, the Christian hardliners, and perhaps Israel evidently are prepared to accept such a situation. []

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